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September 14, 2010

AGENDA ITEM 3c

TO: MEMBERS OF THE FINANCE COMMITTEE

I. SUBJECT: External Audit Fees

II. PROGRAM: Audit Services

III. RECOMMENDATION: Information Only

IV. ANALYSIS:

In accordance with the Finance Committee Charter, a report of audit, attest and all other services allowed and provided by audit firms, including the fees paid to the auditor, shall be provided to the Finance Committee annually. Services provided by outside audit firms in Fiscal Year 2009-2010 included the annual financial statement audit, other attest work, and real estate audits. These are described more fully below.

Financial Statement Auditor Fees

The Board's independent financial statement auditor, Macias Gini & O'Connell, LLP performed the audit of CalPERS' financial statements for Fiscal Year ended June 30, 2009 (FY 2008-09) and a special project on the Internal Fixed Income Program. This service was performed under the AICPA generally accepted auditing standards and attestation standards. The special project was approved and reported to the Finance Committee in February 2010. In accordance with the Finance Committee Charter, the auditor did not perform consulting services while responsible for auditing the financial statements. The financial statement audit fees totaled \$454,392 and were paid over two fiscal years. The Internal Fixed Income Program project audit fee was \$46,822.

Real Estate Compliance Audit Fees

The following table illustrates the schedule of fees totaling \$1,105,981 invoiced for real estate compliance audits and incentive fee cash flow audits performed by the Board's independent real estate auditors through June 30, 2010. The amounts are presented on a cash rather than an accrual basis.

Table 1 – Real Estate Audit Fees

AUDIT FIRM	AMOUNT PAID
KNL	\$63,497
KPM and Associates	\$172,108
Marsh	\$188,708
Mayer Hoffman McCann PC	\$370,152
Reznick Group	\$205,713
Squar Milner	\$39,863
Velah Group	\$65,940
Total for Real Estate Compliance Audit Activities through 6/30/10	\$1,105,981

V. STRATEGIC PLAN:

This item is not a specific product of the Strategic Plan, but is required by the Finance Committee Charter.

VI. RESULTS/COSTS:

This is an information item and does not result in any risks/costs. These audits provide the Board of Administration independent audit opinions regarding financial reporting, internal controls, and contract compliance.

MARGARET JUNKER, Chief
Office of Audit Services

PETER H. MIXON
General Counsel